

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Argentine Township	County Genesee
Fiscal Year End June 30, 2006	Opinion Date September 26, 2006	Date Audit Report Submitted to Sate November 30, 2006	

We affirm that:

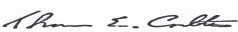
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|-------------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo CPAs, P.C.		Telephone Number (989) 463-6108	
Street Address 7810 N. Alger Rd.		City Alma	State MI
Zip 48801			
Authorizing CPA Signature 	Printed Name Thomas E. Coulter	License Number 1612544	

Argentine Township
Genesee County, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2006

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Argentine Township
List of Elected and Appointed Officials
June 30, 2006

Township Board

Robert Cole, Supervisor

Joseph Graves, Clerk

Norm Schmidt, Treasurer

Jason King, Trustee

Theresa Ciesielski, Trustee

Independent Auditors' Report

Township Board
Argentine Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Argentine Township as of and for the year ended June 30, 2006, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Argentine Township as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Argentine Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

September 26, 2006
Alma, Michigan

Township of Argentine

Management's Discussion and Analysis

Year Ended June 30, 2006

Our discussion and analysis of the Township of Argentine financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006.

The General Fund continued to subsidize both the Police and Fire assessments in order to provide our residents a quality service provided by local departments .

For the next physical year (2006 – 2007), the board elected to adopt a line item budget to assist in controlling the amount of spending and to better understand where the real costs are being incurred.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Argentine as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2006

The Township of Argentine as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities 2006	Business-type Activities 2006	Total 2006	Total 2005
Assets	\$ 2,755,160	\$ 1,507,023	\$ 4,262,183	\$ 4,735,594
Capital assets	657,335	1,347,044	2,004,379	2,172,053
Total assets	<u>3,412,495</u>	<u>2,854,067</u>	<u>6,266,562</u>	<u>6,907,647</u>
Current liabilities	244,003	1,322,651	1,566,654	1,835,288
Long term liabilities	1,103,423	130,182	1,233,605	1,515,370
Total liabilities	<u>1,347,426</u>	<u>1,452,833</u>	<u>2,800,259</u>	<u>3,350,658</u>
Net Assets				
Invested in capital assets, net of related debt	454,903	1,161,069	1,615,972	1,703,604
Restricted	97,932	-	97,932	100,896
Unrestricted	<u>1,512,234</u>	<u>240,165</u>	<u>1,752,399</u>	<u>1,752,489</u>
Total net assets	<u>\$ 2,065,069</u>	<u>\$ 1,401,234</u>	<u>\$ 3,466,303</u>	<u>\$ 3,556,989</u>

The Township of Argentine's net assets of governmental activities are \$2,065,069 and \$1,401,234 for business type activities; of these amounts \$1,512,234 (governmental) and \$240,165 (business-type) are unrestricted assets.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2006

The following table shows, in a condensed format, the change in net assets as of the current date and compared to the prior year:

	Governmental Activities	Business-type Activities	Total 2006	Total 2005
Revenue				
Program revenue				
Charges for services	\$ 425,117	\$ 677,003	\$ 1,102,120	\$ 1,842,771
Capital grants and contributions	1,082,069	-	1,082,069	1,277,491
General revenue				
Property taxes	214,916	-	214,916	208,969
State-shared revenue	447,578	-	447,578	493,162
Interest	40,933	26,549	67,482	34,935
Franchise fees and other revenue	124,301	-	124,301	126,469
Transfers in	35,000	-	35,000	-
Total Revenue	<u>2,369,914</u>	<u>703,552</u>	<u>3,073,466</u>	<u>3,983,797</u>
Expenses				
Program expenses				
General government	704,633	-	704,633	581,332
Public safety	1,067,587	-	1,067,587	975,870
Public works	519,448	-	519,448	986,901
Community and economic development	40,858	-	40,858	36,420
Recreation and culture	84,326	-	84,326	97,513
Interest on long-term debt	58,415	-	58,415	39,745
Sewer	-	647,177	647,177	1,784,826
Loss on sale of capital assets	6,708	-	6,708	-
Transfers out	-	35,000	35,000	-
Other	-	-	-	361,879
Total expenses	<u>2,481,975</u>	<u>682,177</u>	<u>3,164,152</u>	<u>4,864,486</u>
Change in net assets	<u>\$ (112,061)</u>	<u>\$ 21,375</u>	<u>\$ (90,686)</u>	<u>\$ (880,689)</u>

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2006

Governmental Activities

The Township of Argentine's total governmental activity revenues were \$2,369,914. This was a \$198,792 decrease in revenues compared to the prior year. This decrease was due in part to a decrease in state shared revenue and the slow growth of our area. Argentine was the fastest growing area in Genesee County.

Governmental activity expenditures of \$2,481,975 were recorded for the year. This included decreases in special assessment road improvements during the fiscal year. This caused a reduction in Fund Balance to continue meeting the health, safety, and welfare of residents.

The Townships capital assets increased by \$38,893 from June 30, 2005 to June 30, 2006. This increase is due to the purchase of a 2006 Chevy Tahoe, police and fire equipment, and the sale of a 2002 Ford Expedition.

The Townships long-term debt decreased by \$177,077. This increase is due to the payment on bonds.

Business Type Activities

The Township also provides municipal sanitary sewer to its residents around the lake.

Township of Argentine Funds

The fund financial statements provide detailed information about the most significant funds, not the Township of Argentine as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities, Fire, Police, and Garbage Funds. The Argentine Township governmental major funds include General Fund, Police, Fire, Garbage, Peninsular and Belfast, Sunset/Softwater, General Road Improvements, Haviland Beach, and Lobdell Road Paving fund.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day to day operation expenses for the Police, and Fire departments is also paid out of General Fund. Some revenues for these departments are collected in the Police and Fire Fund and then transferred to General fund to offset part of the expenses.

b) **Police Fund**

The Police Fund is funded through a special assessment approved by the residents. The Assessment collected in 2005-06 was \$333,240.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2006

c) **Fire Fund**

The Fire Fund is funded through a special assessment approved by the residents. The Assessment collected in 2005-06 was \$361,010. 30% of each assessment dollar collected is left in the Fire fund to pay for major equipment purchases. The remaining 70% is then transferred to the General Fund to cover the fire expenses of \$307,258. The assessment covers about 60% of total expenses. The balance is paid with State Shared Revenue and property taxes.

d) **Garbage Fund**

Residents have approved a special assessment to pay for Township wide Garbage collection. The Assessment collected in 2005-06 was \$330,924.

e) **Peninsular and Belfast Fund**

Special Assessments were setup to pay for paving on Peninsular Drive and Belfast Road. There is \$134,355 left to be collected on the original assessment. An additional special assessment for \$225,000 was started in 2004. Special assessments of \$42,054 were received during the 2005-06 on the original assessment. No amounts were received in 2005-06 on the 2004 assessment.

f) **Sunset/Softwater Fund**

Special Assessments of \$468,904 were set up for general road improvements. Special assessments of \$46,890 were received during the 2005-06.

g) **General Road Improvements Fund**

Special assessments of \$262,875 were received during 2005-2006.

h) **Haviland Beach Fund**

Special Assessments were setup to pay for paving on Haviland Beach. There is \$113,633 left to be collected on the original assessment. An additional special assessment for \$225,000 was started in 2004. Special assessments of \$21,134 were received during the 2005-06 on the original assessment. No amounts were received in 2005-06 on the 2004 assessment.

i) **Lobdell Road Paving Fund**

Special Assessments were setup to pay for paving on Lobdell road. There is \$252,798 left to be collected on this assessment. During the 2005-06 year, \$32,841 of special assessments was collected.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2006

General Fund Budgetary Highlights

Over the course of the year, the Township Council and Township administration monitor and amend the budget to account for unanticipated events during the year. Due to the lack of desire among the majority of the residents to increase the Police and Fire Special Assessments the Township Board of Trustees decided to use money from savings or Fund Balance to cover losses. This will continue to be a concern for the foreseeable future; however the board is reviewing all options in order to correct this imbalance.

Economic Factors and Next Year's Budgets and Rates

As this budget year closes there are a number of factors that will influence next years budget, including the unprecedented growth rate that seems to have leveled out and the amount of building permits has declined. The deficit for the Police Special Assessments continues to be a concern and aggressive steps will need to be taken to resolve these issues.

Contacting the Township of Argentine Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Argentine finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township hall.

Argentine Township
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,354,935	\$ 1,033,627	\$ 2,388,562
Receivables			
Customers	11,538	458,870	470,408
Special assessments	1,210,886	-	1,210,886
Due from other units of government	148,573	43,754	192,327
Internal balances	29,228	(29,228)	-
Capital assets, net	657,335	1,347,044	2,004,379
 Total assets	 3,412,495	 2,854,067	 6,266,562
Liabilities			
Checks written against future deposits	36,554	-	36,554
Accounts payable	4,793	1,212,512	1,217,305
Accrued and other liabilities	19,511	1,367	20,878
Due to other units of government	-	52,979	52,979
Noncurrent liabilities			
Due within one year	183,145	55,793	238,938
Due in more than one year	1,103,423	130,182	1,233,605
 Total liabilities	 1,347,426	 1,452,833	 2,800,259
Net Assets			
Invested in capital assets, net of related debt	454,903	1,161,069	1,615,972
Restricted for:			
Lakes	97,932	-	97,932
Unrestricted	1,512,234	240,165	1,752,399
 Total net assets	 \$ 2,065,069	 \$ 1,401,234	 \$ 3,466,303

See Accompanying Notes to Financial Statements

**Argentine Township
Statement of Activities
For the Year Ended June 30, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 704,633	\$ 85,288	\$ -	\$ -	\$ (619,345)	\$ -	\$ (619,345)
Public safety	1,067,587	5,836	-	722,427	(339,324)	-	(339,324)
Public works	519,448	333,993	-	359,642	174,187	-	174,187
Community and economic development	40,858	-	-	-	(40,858)	-	(40,858)
Recreation and culture	84,326	-	-	-	(84,326)	-	(84,326)
Interest on long-term debt	58,415	-	-	-	(58,415)	-	(58,415)
Total governmental activities	<u>2,475,267</u>	<u>425,117</u>	<u>-</u>	<u>1,082,069</u>	<u>(968,081)</u>	<u>-</u>	<u>(968,081)</u>
Business-type activities							
Sewer	<u>647,177</u>	<u>677,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,826</u>	<u>29,826</u>
Total primary government	<u>\$ 3,122,444</u>	<u>\$ 1,102,120</u>	<u>\$ -</u>	<u>\$ 1,082,069</u>	<u>(968,081)</u>	<u>29,826</u>	<u>(938,255)</u>
General revenues							
Property taxes					214,916	-	214,916
State shared revenue					447,578	-	447,578
Unrestricted investment earnings					40,933	26,549	67,482
Loss on sale of capital assets					(6,708)	-	(6,708)
Miscellaneous					124,301	-	124,301
Transfers					<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total general revenues and transfers					<u>856,020</u>	<u>(8,451)</u>	<u>847,569</u>
Change in net assets					(112,061)	21,375	(90,686)
Net assets - beginning of year					<u>2,177,130</u>	<u>1,379,859</u>	<u>3,556,989</u>
Net assets - end of year					<u>\$ 2,065,069</u>	<u>\$ 1,401,234</u>	<u>\$ 3,466,303</u>

See Accompanying Notes to Financial Statements

Argentine Township
Governmental Funds
Balance Sheet
June 30, 2006

	Special Revenue Funds									Nonmajor Governmental Funds	Total Governmental Funds
	General	Police	Fire	Garbage	Peninsular & Belfast	Sunset/ Softwater	General Road Improvements	Haviland Beach	Lobdell Road Paving		
Assets											
Cash and cash equivalents	\$ 19,220	\$ 29,023	\$ 159,596	\$ 137,416	\$ 245,460	\$ 128,023	\$ 267,797	\$ 137,210	\$ -	\$ 231,190	\$ 1,354,935
Receivables											
Customers	11,538	-	-	-	-	-	-	-	-	-	11,538
Special assessments	-	-	-	-	359,355	260,100	-	338,633	252,798	-	1,210,886
Due from other units of government	148,573	-	-	-	-	-	-	-	-	-	148,573
Due from other funds	194,589	-	-	-	-	-	-	1,727	-	30,000	226,316
Total assets	\$ 373,920	\$ 29,023	\$ 159,596	\$ 137,416	\$ 604,815	\$ 388,123	\$ 267,797	\$ 477,570	\$ 252,798	\$ 261,190	\$ 2,952,248
Liabilities											
Checks written against future deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,913	\$ 2,641	\$ 36,554
Accounts payable	4,793	-	-	-	-	-	-	-	-	-	4,793
Accrued and other liabilities	10,554	-	-	-	-	-	-	-	-	-	10,554
Due to other funds	3,068	160	140	50	148,370	-	-	-	-	45,300	197,088
Deferred revenue	-	-	-	-	359,355	260,100	-	338,633	252,798	80,726	1,291,612
Total liabilities	18,415	160	140	50	507,725	260,100	-	338,633	286,711	128,667	1,540,601
Fund Balances											
Reserved for:											
Reserved for Lobdell Lake	-	-	-	-	-	-	-	-	-	67,566	67,566
Reserved for Softwater Lake	-	-	-	-	-	-	-	-	-	2,178	2,178
Reserved for McKane Lake	-	-	-	-	-	-	-	-	-	17,534	17,534
Reserved for Myers Lake	-	-	-	-	-	-	-	-	-	10,654	10,654
Unreserved											
Designated for:											
Special projects	24,269	-	-	-	-	-	-	-	-	-	24,269
Unreserved, reported in:											
General fund	331,236	-	-	-	-	-	-	-	-	-	331,236
Special revenue funds (deficit)	-	28,863	159,456	137,366	97,090	128,023	267,797	138,937	(33,913)	34,591	958,210
Total fund balances	355,505	28,863	159,456	137,366	97,090	128,023	267,797	138,937	(33,913)	132,523	1,411,647
Total liabilities and fund balances	\$ 373,920	\$ 29,023	\$ 159,596	\$ 137,416	\$ 604,815	\$ 388,123	\$ 267,797	\$ 477,570	\$ 252,798	\$ 261,190	\$ 2,952,248

Argentine Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2006

Total fund balances for governmental funds	\$ 1,411,647
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	657,335
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,291,612
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(8,957)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,286,568)</u>
Net assets of governmental activities	<u>\$ 2,065,069</u>

Argentine Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	Special Revenue Funds										
	General	Police	Fire	Garbage	Peninsular & Belfast	Sunset/ Softwater	General Road Improvements	Haviland Beach	Lobdell Road Paving	Nonmajor Governmental Funds	Total Governmental Funds
Revenues											
Taxes	\$ 214,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,916
Special assessments		333,240	361,010	330,924	42,054	46,890	262,875	21,134	32,841	112,022	1,542,990
Licenses and permits	105,593	3,444	3,350	3,069	-	-	-	-	-	-	115,456
State revenue sharing	447,578	-	-	-	-	-	-	-	-	-	447,578
Charges for services	12,667	-	-	-	-	-	-	-	-	-	12,667
Fines and forfeitures	440	-	-	-	-	-	-	-	-	-	440
Interest income	4,484	62	1,004	3,622	10,661	3,934	2,734	6,105	-	8,326	40,932
Other revenue	86,476	3,456	28,177	-	-	-	-	-	-	-	118,109
Total revenues	872,154	340,202	393,541	337,615	52,715	50,824	265,609	27,239	32,841	120,348	2,493,088
Expenditures											
Current											
General government	574,023	-	-	-	-	-	-	-	-	-	574,023
Public safety	952,972	-	-	-	-	-	-	-	-	-	952,972
Public works	41,028	-	-	360,029	-	-	76,184	-	-	-	477,241
Community and economic development	20,741	-	-	-	-	-	-	-	-	20,117	40,858
Capital outlay	123,507	-	-	-	-	42,207	-	-	-	-	165,714
Debt service											
Principal retirement	-	-	24,250	-	37,778	50,000	-	22,222	32,763	10,064	177,077
Interest and fiscal charges	-	-	9,982	-	17,605	15,775	-	6,489	7,442	2,286	59,579
Total expenditures	1,712,271	-	34,232	360,029	55,383	107,982	76,184	28,711	40,205	116,793	2,531,790
Excess (deficiency) of revenues over expenditures	<u>(840,117)</u>	<u>340,202</u>	<u>359,309</u>	<u>(22,414)</u>	<u>(2,668)</u>	<u>(57,158)</u>	<u>189,425</u>	<u>(1,472)</u>	<u>(7,364)</u>	<u>3,555</u>	<u>(38,702)</u>
Other financing sources (uses)											
Transfers in	1,064,155	-	-	-	-	-	-	-	-	12,079	1,076,234
Transfers out	(12,079)	(510,360)	(518,795)	-	-	-	-	-	-	-	(1,041,234)
Total other financing sources and uses	1,052,076	(510,360)	(518,795)	-	-	-	-	-	-	12,079	35,000
Net change in fund balance	211,959	(170,158)	(159,486)	(22,414)	(2,668)	(57,158)	189,425	(1,472)	(7,364)	15,634	(3,702)
Fund balance (deficit) - beginning of year	143,546	199,021	318,942	159,780	99,758	185,181	78,372	140,409	(26,549)	116,889	1,415,349
Fund balance (deficit) - end of year	<u>\$ 355,505</u>	<u>\$ 28,863</u>	<u>\$ 159,456</u>	<u>\$ 137,366</u>	<u>\$ 97,090</u>	<u>\$ 128,023</u>	<u>\$ 267,797</u>	<u>\$ 138,937</u>	<u>\$ (33,913)</u>	<u>\$ 132,523</u>	<u>\$ 1,411,647</u>

Argentine Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total governmental funds \$ (3,702)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(189,358)
Capital outlay	67,640
Sale of capital assets	(6,708)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Special assessments	(158,174)
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Expenses are recorded when incurred in the statement of activities

Accrued interest	1,164
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>177,077</u>
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Change in net assets of governmental activities	\$ <u>(112,061)</u>
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Argentine Township
Proprietary Funds
Statement of Net Assets
June 30, 2006

	<u>Sewer</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,033,627
Receivables	
Customers	458,870
Due from other units of government	43,754
Due from other funds	<u>3,068</u>
Total current assets	<u>1,539,319</u>
Noncurrent assets	
Capital assets, net	<u>1,347,044</u>
Total assets	<u>2,886,363</u>
Liabilities	
Current liabilities	
Accounts payable	1,212,512
Accrued and other liabilities	1,367
Due to other funds	32,296
Due to other units of government	52,979
Current portion of noncurrent liabilities	<u>55,793</u>
Total current liabilities	<u>1,354,947</u>
Noncurrent liabilities	
Long-term debt net of current portion	<u>130,182</u>
Total liabilities	<u>1,485,129</u>
Net Assets	
Invested in capital assets, net of related debt	1,161,069
Unrestricted	<u>240,165</u>
Total net assets	<u>\$ 1,401,234</u>

See Accompanying Notes to Financial Statements

Argentine Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	<u>Sewer</u>
Operating revenue	
Customer fees	\$ 660,136
Other revenue	<u>16,867</u>
Total operating revenue	<u>677,003</u>
 Operating expenses	
Personnel services	17,098
Contractual services	581,200
Utilities	105
Other expenses	543
Depreciation	<u>39,248</u>
Total operating expenses	<u>638,194</u>
 Operating income	<u>38,809</u>
 Nonoperating revenue (expenses)	
Interest income	26,549
Interest expense	<u>(8,983)</u>
Total nonoperating revenues	<u>17,566</u>
 Income before transfers	56,375
 Transfers out	<u>(35,000)</u>
 Change in net assets	<u>21,375</u>
 Net assets - beginning of year	<u>1,379,859</u>
 Net assets - end of year	<u>\$ 1,401,234</u>

See Accompanying Notes to Financial Statements

Argentine Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2006

	<u>Sewer</u>
Cash flows from operating activities	
Receipts from customers	\$ 912,726
Payments to other funds	16,148
Payments to suppliers	(623,831)
Payments to employees	<u>(17,098)</u>
Net cash provided by operating activities	<u>287,945</u>
Cash flows from noncapital financing activities	
Transfers to other funds	<u>(35,000)</u>
Cash flows from capital and related financing activities	
Principal and interest paid on long-term debt	<u>(8,983)</u>
Cash flows from investing activities	
Interest received	<u>26,549</u>
Net increase in cash and cash equivalents	270,511
Cash and cash equivalents - beginning of year	<u>763,116</u>
Cash and cash equivalents - end of year	<u>\$ 1,033,627</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 38,809
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	39,248
Changes in assets and liabilities	
Receivables (net)	279,477
Due from other units of government	(43,754)
Accounts payable	(45,792)
Accrued and other liabilities	(390)
Due to other funds	16,148
Due to other units of government	<u>4,199</u>
Net cash provided by operating activities	<u>\$ 287,945</u>

See Accompanying Notes to Financial Statements

Argentine Township
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2006

	Tax Fund
Assets	
Cash and cash equivalents	<u>\$ 45,902</u>
Liabilities	
Due to other units of government	<u>\$ 45,902</u>

See Accompanying Notes to Financial Statements

Argentine Township
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Argentine Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Argentine Township
Notes to Financial Statements
June 30, 2006

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for property taxes and other revenue that is restricted for providing police protection.

The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.

The Garbage Fund accounts for special assessments that are restricted for sanitary services.

The Peninsular and Belfast Fund accounts for special assessments that are restricted for paving projects.

The Sunset/Softwater Fund accounts for special assessments that are restricted for paving projects.

The General Road Improvements Fund accounts for special assessments that are restricted for paving projects.

The Haviland Beach Fund accounts for special assessments that are restricted for paving projects.

The Lobdell Road Paving Fund accounts for special assessments that are restricted for paving projects.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Trust and Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Argentine Township

Notes to Financial Statements

June 30, 2006

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as

“advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$205,601,574, on which ad valorem taxes consisted of .7182 mills for operating purposes. This resulted in \$143,136 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Argentine Township
Notes to Financial Statements
June 30, 2006

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to September 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to November 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Argentine Township
Notes to Financial Statements
June 30, 2006

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, the Township incurred expenditures in the General and Special Revenue Funds in excess of the amount appropriated as follows:

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
General government	\$ 549,263	\$ 574,023	\$ 24,760
Public safety	910,190	952,972	42,782
Transfers	-	12,079	12,079
Special Revenue			
Police fund	334,320	510,360	176,040
Fire fund	348,976	553,027	204,051
Garbage fund	349,368	360,029	10,661
Peninsular & Belfast fund	42,554	55,383	12,829
Sunset/Softwater fund	47,390	107,982	60,592
Haviland Beach fund	21,134	28,711	7,577
Lobdell Road Paving fund	32,841	40,205	7,364

Deficit fund equity

The Township has accumulated a net asset deficit in the Crest Drive, Smith Road, Glen Hatt, Knobhill, and Lobdell Road funds. These deficits will be eliminated with future special assessments.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 1,354,935
Business-type activities	<u>1,033,627</u>
Total primary government	2,388,562
Fiduciary funds	<u>45,902</u>
Total	<u>\$ 2,434,464</u>

The breakdown of deposits is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 2,386,680	\$ 45,902
Petty cash and cash on hand	<u>1,882</u>	<u>-</u>
	<u>\$ 2,388,562</u>	<u>\$ 45,902</u>

Argentine Township
Notes to Financial Statements
June 30, 2006

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$2,468,147 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year
	<hr/>
Primary government	
Special assessments	<u>\$ 1,050,897</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	<u>\$ 1,291,612</u>

Argentine Township **Notes to Financial Statements** **June 30, 2006**

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated				
Land improvements	9,500	-	-	9,500
Buildings, additions and improvements	399,200	-	-	399,200
Machinery and equipment	70,833	29,659	-	100,492
Vehicles	1,559,490	37,981	28,747	1,568,724
Total capital assets being depreciated	2,039,023	67,640	28,747	2,077,916
Less accumulated depreciation for				
Land improvements	6,650	633	-	7,283
Buildings, additions and improvements	132,900	11,363	-	144,263
Machinery and equipment	29,439	13,297	-	42,736
Vehicles	1,129,273	164,065	22,039	1,271,299
Total accumulated depreciation	1,298,262	189,358	22,039	1,465,581
Net capital assets being depreciated	740,761	(121,718)	6,708	612,335
Governmental activities capital assets, net	\$ 785,761	\$ (121,718)	\$ 6,708	\$ 657,335
Business-type activities				
Capital assets not being depreciated				
Land	\$ 31,525	\$ -	\$ -	\$ 31,525
Capital assets being depreciated				
Sewer system	1,962,377	-	-	1,962,377
Less accumulated depreciation for				
Sewer system	607,610	39,248	-	646,858
Net capital assets being depreciated	1,354,767	(39,248)	-	1,315,519
Business-type capital assets, net	\$ 1,386,292	\$ (39,248)	\$ -	\$ 1,347,044

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 7,103
Public safety	182,255
Total governmental activities	189,358
Business-type activities	
Sewer	39,248
Total primary government	\$ 228,606

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General Fund	Fire Fund	\$ 140
General Fund	Police Fund	160
General Fund	Garbage Fund	50
General Fund	Sewer Fund	32,296
General Fund	Knobhill Fund	15,300
General Fund	Peninsular and Belfast Fund	146,643
Lake Improvements Fund	Knobhill Fund	30,000
Haviland Beach Fund	Peninsular and Belfast Fund	1,727
Sewer Fund	General Fund	3,068
		<u>\$ 229,384</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Argentine Township
Notes to Financial Statements
June 30, 2006

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Police Fund	General Fund	\$ 510,360
Fire Fund	General Fund	518,795
Sewer Fund	General Fund	35,000
General Fund	Ambulance Fund	27
Smith Road Fund	General Fund	<u>12,052</u>
		<u>\$ 1,076,234</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 7 - LEASES

Operating Leases

The Township's police department began leasing space from Ferrellgas, L.P. on September 1, 2003. The lease has been extended for a two year term beginning in September 2005 and terminating on August 31, 2007. Building lease expense as of June 30, 2005 is \$12,900.

Annual lease requirements through August 31, 2007 are as follows:

<u>Year ending December 31,</u>	
2007	\$ 12,000
2008	<u>2,000</u>
	<u>\$ 14,000</u>

Argentine Township
Notes to Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Special assessment bonds									
1999 Peninsular & Belfast	\$ 300,000	11/1/08	4.15% - 4.30%	\$30,000	\$ 120,000	-	\$ 30,000	\$ 90,000	\$ 30,000
2004B Bond	250,000	5/1/13	5.371%	\$12,778 - \$42,778	242,222	-	7,778	234,444	12,778
2004A Bond	200,000	5/1/13	3.60%	\$22,222	177,778	-	22,222	155,556	22,222
2005 Sunset/Softwater	485,000	5/1/14	3.00% - 4.25%	\$45,000 - \$50,000	440,000	-	50,000	390,000	50,000
Lobdell Road Paving Project	428,272	8/1/11	3.70%	\$42,827	256,963	-	42,827	214,136	42,827
Contracts payable - 2003 fire truck		11/1/12	4.00%	\$25,318 - \$32,788	226,682	-	24,250	202,432	25,318
Total governmental activities					<u>\$ 1,463,645</u>	<u>\$ -</u>	<u>\$ 177,077</u>	<u>\$ 1,286,568</u>	<u>\$ 183,145</u>
Business-type activities									
Contracts payable									
1999 System No. 7 upgrade	\$ 502,133	11/1/08	4.3% - 4.5%	\$55,793 - \$74,390	\$ 241,768	\$ -	\$ 55,793	\$ 185,975	\$ 55,793

Argentine Township
Notes to Financial Statements
June 30, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 183,145	\$ 49,102	\$ 55,793	\$ 7,002
2008	179,260	47,192	55,793	4,575
2009	210,424	40,130	74,389	1,674
2010	186,639	32,107	-	-
2011	182,907	24,214	-	-
2012-2014	344,193	27,105	-	-
	<u>\$ 1,286,568</u>	<u>\$ 219,850</u>	<u>\$ 185,975</u>	<u>\$ 13,251</u>

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a qualified, contributory defined contribution pension plan covering all full time employees and elected officials. Pension expense charged to operations for the current year ended June 30, 2006 was \$45,304, which is for current service costs. There are no unfunded prior service costs.

NOTE 11 – CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Townships attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	\$ 192,600	\$ 200,820	\$ 214,916	\$ 14,096
Licenses and permits	111,600	120,038	105,593	(14,445)
State revenue sharing	462,322	462,322	447,578	(14,744)
Charges for services	12,000	14,105	12,667	(1,438)
Fines and forfeitures	1,560	1,560	440	(1,120)
Interest income	1,000	1,000	4,484	3,484
Other revenue	90,512	119,436	86,476	(32,960)
Transfer in	595,995	694,614	1,064,155	369,541
Total revenues	<u>1,467,589</u>	<u>1,613,895</u>	<u>1,936,309</u>	<u>322,414</u>

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Township board	\$ 279,406	\$ 323,398	\$ 350,669	\$ 27,271
Supervisor	108,539	126,317	125,760	(557)
Accounting	-	-	4,335	4,335
Clerk	23,108	22,983	22,722	(261)
Board of review	3,400	3,800	3,625	(175)
Treasurer	27,083	26,348	26,840	492
Elections	3,200	4,490	-	(4,490)
Buildings and grounds	30,832	35,527	34,599	(928)
Cemetery	6,400	6,400	5,473	(927)
Total general government	<u>481,968</u>	<u>549,263</u>	<u>574,023</u>	<u>24,760</u>
Public safety				
Police	464,127	503,351	527,696	24,345
Fire department	258,933	289,465	307,258	17,793
Building inspection department	121,524	117,374	118,018	644
Total public safety	<u>844,584</u>	<u>910,190</u>	<u>952,972</u>	<u>42,782</u>
Public works				
Drains	10,000	10,000	8,458	(1,542)
Highways, streets and bridges	39,500	31,210	32,570	1,360
Total public works	<u>49,500</u>	<u>41,210</u>	<u>41,028</u>	<u>(182)</u>

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Community and economic development				
Planning	\$ 19,350	\$ 17,030	\$ 16,387	\$ (643)
Zoning	4,514	4,514	4,354	(160)
Total community and economic development	23,864	21,544	20,741	(803)
Capital outlay	67,673	123,956	123,507	(449)
Transfers out	-	-	12,079	12,079
Total expenditures	1,467,589	1,646,163	1,724,350	78,187
Excess (deficiency) of revenues over expenditures	-	(32,268)	211,959	244,227
Fund balance - beginning of year	143,546	143,546	143,546	-
Fund balance - end of year	<u>\$ 143,546</u>	<u>\$ 111,278</u>	<u>\$ 355,505</u>	<u>\$ 244,227</u>

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 334,200	\$ 334,200	\$ 333,240	\$ (960)
Licenses and permits	-	-	3,444	3,444
Interest income	-	-	62	62
Other revenue	-	-	3,456	3,456
Total revenues	<u>334,200</u>	<u>334,200</u>	<u>340,202</u>	<u>6,002</u>
Expenditures				
Transfers out	<u>334,320</u>	<u>334,320</u>	<u>510,360</u>	<u>176,040</u>
Deficiency of revenues over expenditures	<u>(120)</u>	<u>(120)</u>	<u>(170,158)</u>	<u>(170,038)</u>
Fund balance - beginning of year	<u>196,594</u>	<u>196,594</u>	<u>199,021</u>	<u>2,427</u>
Fund balance - end of year	<u>\$ 196,474</u>	<u>\$ 196,474</u>	<u>\$ 28,863</u>	<u>\$ (167,611)</u>

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 362,050	\$ 362,050	\$ 361,010	(1,040)
Licenses and permits	-	-	3,350	3,350
Interest income	-	-	1,004	1,004
Other revenue	-	-	28,177	28,177
Total revenues	<u>362,050</u>	<u>362,050</u>	<u>393,541</u>	<u>31,491</u>
Expenditures				
Capital outlay	25,000	25,000	-	(25,000)
Debt service				
Principal retirement	24,250	24,250	24,250	-
Interest and fiscal charges	9,982	9,982	9,982	-
Transfers out	<u>289,744</u>	<u>289,744</u>	<u>518,795</u>	<u>229,051</u>
Total expenditures	<u>348,976</u>	<u>348,976</u>	<u>553,027</u>	<u>204,051</u>
Excess (deficiency) of revenues over expenditures	<u>13,074</u>	<u>13,074</u>	<u>(159,486)</u>	<u>(172,560)</u>
Fund balance - beginning of year	<u>318,942</u>	<u>318,942</u>	<u>318,942</u>	<u>-</u>
Fund balance - end of year	<u>\$ 332,016</u>	<u>\$ 332,016</u>	<u>\$ 159,456</u>	<u>\$ (172,560)</u>

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Garbage Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 331,980	\$ 331,980	\$ 330,924	\$ (1,056)
Licenses and permits	-	-	3,069	3,069
Interest income	3,527	3,527	3,622	95
Total revenues	335,507	335,507	337,615	2,108
Expenditures				
Current				
Public works	349,368	349,368	360,029	10,661
Deficiency of revenues over expenditures	(13,861)	(13,861)	(22,414)	(8,553)
Fund balance - beginning of year	159,780	159,780	159,780	-
Fund balance - end of year	\$ 145,919	\$ 145,919	\$ 137,366	\$ (8,553)

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Peninsular & Belfast Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 42,054	\$ 42,054	\$ 42,054	\$ -
Interest income	8,828	8,828	10,661	1,833
Total revenues	50,882	50,882	52,715	1,833
Expenditures				
Debt service				
Principal retirement	22,554	22,554	37,778	15,224
Interest and fiscal charges	20,000	20,000	17,605	(2,395)
Total expenditures	42,554	42,554	55,383	12,829
Excess (deficiency) of revenues over expenditures	8,328	8,328	(2,668)	(10,996)
Fund balance - beginning of year	99,758	99,758	99,758	-
Fund balance - end of year	\$ 108,086	\$ 108,086	\$ 97,090	\$ (10,996)

See Accompanying Notes to Financial Statements

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Sunset/Softwater Special Revenue
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 46,890	\$ 46,890	\$ 46,890	\$ -
Interest income	500	500	3,934	3,434
Total revenues	47,390	47,390	50,824	3,434
Expenditures				
Capital outlay	-	-	42,207	42,207
Debt service				
Principal retirement	36,016	36,016	50,000	13,984
Interest and fiscal charges	11,374	11,374	15,775	4,401
Total expenditures	47,390	47,390	107,982	60,592
Deficiency of revenues over expenditures	-	-	(57,158)	(57,158)
Fund balance - beginning of year	185,181	185,181	185,181	-
Fund balance - end of year	\$ 185,181	\$ 185,181	\$ 128,023	\$ (57,158)

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
General Road Improvements
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 265,125	\$ 265,125	\$ 262,875	\$ (2,250)
Interest income	2,684	2,684	2,734	50
Total revenues	267,809	267,809	265,609	(2,200)
Expenditures				
Current				
Public works	-	-	76,184	76,184
Transfers out	267,325	267,325	-	(267,325)
Total expenditures	267,325	267,325	76,184	(191,141)
Excess of revenues over expenditures	484	484	189,425	188,941
Fund balance - beginning of year	78,372	78,372	78,372	-
Fund balance - end of year	\$ 78,856	\$ 78,856	\$ 267,797	\$ 188,941

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Haviland Beach
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 21,134	\$ 21,134	\$ 21,134	\$ -
Interest income	6,563	6,563	6,105	(458)
Total revenues	27,697	27,697	27,239	(458)
Expenditures				
Debt service				
Principal retirement	16,273	16,273	22,222	5,949
Interest and fiscal charges	4,861	4,861	6,489	1,628
Total expenditures	21,134	21,134	28,711	7,577
Excess (deficiency) of revenues over expenditures	6,563	6,563	(1,472)	(8,035)
Fund balance - beginning of year	140,409	140,409	140,409	-
Fund balance - end of year	\$ 146,972	\$ 146,972	\$ 138,937	\$ (8,035)

Argentine Township
Required Supplemental Information
Budgetary Comparison Schedule
Lobdell Road Paving
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 32,841	\$ 32,841	\$ 32,841	\$ -
Interest income	269	269	-	(269)
Total revenues	33,110	33,110	32,841	(269)
Expenditures				
Current				
Debt service				
Principal retirement	26,601	26,601	32,763	6,162
Interest and fiscal charges	6,240	6,240	7,442	1,202
Total expenditures	32,841	32,841	40,205	7,364
Excess (deficiency) of revenues over expenditures	269	269	(7,364)	(7,633)
Fund balance (deficit) - beginning of year	(26,549)	(26,549)	(26,549)	-
Fund balance (deficit) - end of year	<u>\$ (26,280)</u>	<u>\$ (26,280)</u>	<u>\$ (33,913)</u>	<u>\$ (7,633)</u>

See Accompanying Notes to Financial Statements

Argentine Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Ambulance	Street and Lighting	Lake Improvements	Glen Hatt	Knobhill	Wolcott Mill	Smith Road	Crest Drive	
Assets									
Cash and cash equivalents	\$ -	\$ 36,030	\$ 97,932	\$ 60,562	\$ 36,151	\$ 515	\$ -	\$ -	\$ 231,190
Due from other funds	-	-	30,000	-	-	-	-	-	30,000
Total assets	<u>\$ -</u>	<u>\$ 36,030</u>	<u>\$ 127,932</u>	<u>\$ 60,562</u>	<u>\$ 36,151</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,190</u>
Liabilities									
Checks written against future deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108	\$ 2,533	\$ 2,641
Due to other funds	-	-	-	-	45,300	-	-	-	45,300
Deferred revenue	-	-	-	62,462	18,264	-	-	-	80,726
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,462</u>	<u>63,564</u>	<u>-</u>	<u>108</u>	<u>2,533</u>	<u>128,667</u>
Fund Balances									
Reserved for:									
Lakes	-	-	127,932	-	-	-	-	-	127,932
Unreserved									
Undesignated (deficit)	-	36,030	-	(1,900)	(27,413)	515	(108)	(2,533)	4,591
Total fund balances (deficit)	<u>-</u>	<u>36,030</u>	<u>127,932</u>	<u>(1,900)</u>	<u>(27,413)</u>	<u>515</u>	<u>(108)</u>	<u>(2,533)</u>	<u>132,523</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 36,030</u>	<u>\$ 127,932</u>	<u>\$ 60,562</u>	<u>\$ 36,151</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,190</u>

Argentine Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Ambulance	Street and Lighting	Lake Improvements	Glen Hatt	Knobhill	Wolcott Mill	Smith Road	Crest Drive	
Revenues									
Special assessments	\$ -	\$ 20,946	\$ 75,821	\$ 7,670	\$ 7,585	\$ -	\$ -	\$ -	\$ 112,022
Interest income	-	261	5,541	547	902	487	164	424	8,326
Total revenues	-	21,207	81,362	8,217	8,487	487	164	424	120,348
Expenditures									
Current									
Community and economic development	-	20,117	-	-	-	-	-	-	20,117
Recreation and culture	-	-	84,326	-	-	-	-	-	84,326
Debt service									
Principal retirement	-	-	-	10,064	-	-	-	-	10,064
Interest and fiscal charges	-	-	-	2,286	-	-	-	-	2,286
Total expenditures	-	20,117	84,326	12,350	-	-	-	-	116,793
Excess (deficiency) of revenues over expenditures	-	1,090	(2,964)	(4,133)	8,487	487	164	424	3,555
Other financing sources									
Transfers in	27	-	-	-	-	-	12,052	-	12,079
Net change in fund balance	27	1,090	(2,964)	(4,133)	8,487	487	12,216	424	15,634
Fund balance (deficit) - beginning of year	(27)	34,940	130,896	2,233	(35,900)	28	(12,324)	(2,957)	116,889
Fund balance (deficit) - end of year	\$ -	\$ 36,030	\$ 127,932	\$ (1,900)	\$ (27,413)	\$ 515	\$ (108)	\$ (2,533)	\$ 132,523

Argentine Township
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Governmental Activities					
Special assessment bonds					
1999 Peninsular & Belfast	4.15% - 4.30%	11/1/08	\$30,000	\$ 5,760	\$ 90,000
2004B Bond	5.37%	5/1/13	\$12,778 - \$42,778	60,263	234,444
2004A Bond	3.60%	5/1/13	\$22,222	22,009	155,556
2005 Sunset/Softwater	3.00% - 4.25%	5/1/14	\$45,000 - \$50,000	68,761	390,000
Lobdell Road Paving Project	3.70%	8/1/11	\$42,827	25,867	214,136
Contracts payable - 2003 fire truck	4.00%	11/1/12	\$25,318 - \$32,788	37,190	202,432
Total governmental activities				<u>\$ 219,850</u>	<u>\$ 1,286,568</u>
Business-type activities					
Contracts payable					
1999 System No. 7 upgrade	4.3% - 4.5%	11/1/08	\$55,793 - \$74,390	<u>\$ 13,251</u>	<u>\$ 185,975</u>



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

September 26, 2006

To the Township Board
Township of Argentine
Genesee County, Michigan

In planning and performing our audit of the financial statements of Argentine Township for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated September 26, 2006 on the financial statements of Argentine Township.

CASH MANAGEMENT

We inquired about the policies and procedures regarding segregation of duties during the audit. We noted that the Treasurer receives and opens the bank statements and also prepares the bank reconciliations. We recommend that the Supervisor receive the unopened bank statements every month to review the cleared check images and any transfers before the Treasurer prepares the monthly bank reconciliations.

We also noted that the Accounts Payable Clerk prepares checks, gives them to the check signors to sign and then mails the checks, after they are signed. We recommend that the check signors give the checks to another employee, instead of the accounts payable clerk, to be mailed. This will improve the segregation of duties for cash disbursements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township personnel, and we will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Township and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

This report is intended solely for the information and use of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

Thomas E. Coulter